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United Nations reform: measures and proposals

Review of the efficiency of the administrative and financial functioning of the United Nations

Proposed programme budget for 2022

Improving the financial situation of the United Nations

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Improving the financial situation of the United Nations

Thirtieth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for 2022

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on improving the financial situation of the United Nations (A/76/429).[1] The Advisory Committee received additional information and clarification from the representatives of the Secretary-General, concluding with written responses dated 3 December 2021.

2. The Secretary-General indicates in his report (A/76/429) that the General Assembly did not approve the measures that he had proposed for the regular budget (see A/73/809) but approved two of his measures proposed for peacekeeping operations: (a) the issuance of assessment letters for peacekeeping operations for the full budget period, including the period for which the mandate has not yet been approved by the Security Council; and (b) on a three-year trial basis, to manage the cash balances of all active peacekeeping operations as a pool (resolution 73/307, paras. 5–7). The Secretary-General also indicates that his report (A/76/429) has been prepared pursuant to resolution 73/307.

3. The Advisory Committee recalls that, in paragraph 9 of its resolution 73/307, the General Assembly requested the Secretary-General to report to the Assembly on

[1] The report of the Secretary-General on the financial situation of the United Nations (A/76/435), submitted to the General Assembly, provides an update to his previous report (A/75/387/Add.1).

the implementation of the resolution at its seventy-sixth session. Upon enquiry, the Committee was informed that the current report of the Secretary-General was intended to highlight the importance of the need for an intervention by the Assembly to solve the regular budget liquidity problem or acknowledge that the situation could continue to deteriorate and have an impact on mandate delivery even more significantly (see para. 13 below).

II. Report of the Secretary-General and general observations

4. The report of the Secretary-General (A/76/429) contains information on the liquidity situation experienced by the Organization under regular budget (sect. II) and peacekeeping operations (sect. III), while proposals to address the problems are contained in section IV of the report.

5. The Secretary-General indicates that, since his previous report, the liquidity situation of the regular budget has deteriorated (see also para. 10 below), with: (a) record arrears in outstanding assessments ($529 million at the end of 2018, $711 million at the end of 2019 and $808 million at the end of 2020); and (b) the deepest cash deficit ever recorded, of $488 million in October 2018, which required the borrowing of cash from closed peacekeeping missions for the first time in 14 years, and of $520 million by mid-November 2019, which brought the Organization close to depleting the reserves of both the regular budget and closed peacekeeping missions. Owing only to liquidity measures implemented during 2020 (see para. 6 below), the year-end cash deficit did not exceed the overall liquidity reserves. (While an amount of $100 million was borrowed initially from closed peacekeeping missions in December 2020 to avoid a potential default on salary payments, the amount was returned by the end of the year owing to large Member State contributions.) (A/76/429, summary and paras. 10, 27, 29 and 32).

6. The Advisory Committee has acknowledged the liquidity constraint experienced by the Organization and the impact on its mandate delivery during 2020 (A/76/7/Add.16, para. 19). During its consideration of the 2020 performance report and the report of the Board of Auditors for the year ended 31 December 2020 for the United Nations, the Committee was informed that, in order to manage the liquidity situation during 2020, budget expenditure was aligned with forecasted collections of assessments, which forced the postponement of some non-post expenditure and the introduction of a hiring freeze from April 2020 onwards, as well as other measures, such as the negotiation of delayed cash payments to United Nations system entities and the deferral of intra-organization cash settlements (see A/76/7/Add.16, para. 17; A/76/554, para. 12). The Committee also noted at that time that the overall expenditure incurred during the first nine months of 2021 showed a similar pattern to that of 2020 (A/76/7/Add.16, para. 22). **The Advisory Committee notes the efforts of the Secretary-General to manage the liquidity situation experienced by the Organization during 2020 due to the increase in arrears in assessed contributions from Member States (see also A/73/809, para. 5). The Committee is of the view that all measures implemented should be in full compliance with the Financial Regulations and Rules of the United Nations (see also paras. 54–55 below).**

7. The Secretary-General further indicates that, while the current Financial Regulations and Rules of the United Nations provide for the payment of contributions within 30 days for the regular budget, only 41 Member States honoured their obligations in full and on time in 2021, which nevertheless represents an improvement over the 35 in 2020 and 34 in 2019. A total of 83 Member States paid their contributions in full within the first quarter, of 2021, compared with 77 in 2020 and 79 in 2019. However, the Secretary-General also indicates that not all Member States

pay in full, leading to arrears in collections that erode liquidity reserves. Many also do not pay on time, leading to intra-year cash shortages that the liquidity reserves are unable to bridge effectively. Furthermore, the payment patterns of Member States fluctuate significantly, leading to uncertainties in the timing of cash inflows, which exacerbates planning for cash outflows (A/76/429, summary and paras. 5, 9 and 11).

8. **The Advisory Committee stresses that the General Assembly has repeatedly urged all Member States to fulfil their financial obligations, as set out in the Charter of the United Nations, on time, in full and without conditions (see also A/73/891, para. 5).**

9. The Advisory Committee recalls that the Board of Auditors noted that the overall financial situation in the United Nations for the year 2020 was relatively healthy and that the Board had no major concerns (A/76/5 (Vol. I), para. 19). However, for regular budget and related funds, the cash ratio was 0.07, 0.06 and 0.26 at the end of 2018, 2019 and 2020, respectively, indicating some liquidity risk. Cash shortages were observed from May to November 2020, owing mainly to delays in the payment of assessed contributions (A/76/554, para. 12).

10. Upon enquiry, the Advisory Committee was provided with information on cash ratios for 2021 and the updated status of contributions from Member States. The Committee notes from the information that the monthly cash ratios for the regular budget have improved during 2021, which is consistently above 1, ranging from 1.1 to 2.8[2] for the period from January to October 2021 (see annex I to the present report on the four ratios for the regular and peacekeeping budgets; for the ratios for the International Residual Mechanism for Criminal Tribunals, see A/76/577, annex I). Furthermore, the outstanding arrears for the regular budget were reduced from $808 million at the end of 2020 to $517 million as at 30 November 2021, while the arrears for the peacekeeping operations were also reduced, from $3,184 million to $1,471 million for the same period. In addition, the Committee was informed that it was clear in November 2021 that it was highly unlikely for the regular budget to borrow from the closed peacekeeping missions in 2021 owing to the large collections of assessments in April 2021, the impact of the restrictions on hiring and non-post spending in the early part of the year and the continuing partial restrictions on hiring. **The Advisory Committee welcomes the efforts of Member States in meeting their financial obligations to the Organization, in particular those that paid in full and on time. The Committee trusts that an updated status of contributions will be provided to the General Assembly during its consideration of the present report.**

11. The Advisory Committee has noted that the overall financial situation of the Organization is sound; however, it has recognized the existence of liquidity challenges relating to the regular budget and stressed that the liquidity situation of the Organization needs to be closely monitored (see A/73/891, para. 8; see also A/73/430, para. 13, and A/73/625, para. 30). **The Advisory Committee notes that, since the submission of the report of the Secretary-General (A/76/429) dated 19 October 2021, with the collections of significant amounts of assessed contributions, including from those Member States with prior-year arrears, the liquidity situation of the Organization has been improving, compared with the situation during 2020.**

12. **The Advisory Committee acknowledges the outreach activities conducted by the Secretary-General and the Secretariat, which have contributed to increased contributions for assessments from Member States, including those in**

[2] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents and invested funds there are in current assets to cover current liabilities (A/76/5 (Vol. I), table II.2, footnote a).

arrears, leading to an improved liquidity situation of the Organization for 2021. The Committee encourages the Secretary-General to continue and strengthen his efforts to reach out to Member States.

Impact of the liquidity situation on programme delivery

13. The Secretary-General urges Member States to provide solutions to address the poor financial state of the Organization and to avert a new normal of systemic underperformance in mandate delivery due to liquidity constraints (A/76/429, summary). The Advisory Committee recalls that the Secretary-General, in his report on the 2020 performance of the programme budget, indicated that programme delivery was constrained by both the liquidity crisis and the coronavirus disease (COVID-19) pandemic, as well as the high number of vacancies (A/76/347, para. 6). The Committee was informed, upon enquiry at that time, that the existing systems were not configured to capture the impact of transitory events (e.g., the COVID-19 pandemic and the liquidity constraints) and that the attribution of the impact to one factor or another would be difficult, given that activities and related budget consumption were frequently affected by multiple factors (A/76/7/Add.16, para. 8). The Committee discusses the tracking of mandate implementation in paragraphs 56 to 59 below.

III. Proposals by the Secretary-General to address the liquidity situation

14. Proposals to address liquidity challenges relating to the regular budget and the budget for peacekeeping operations are presented in section IV of the report of the Secretary-General (A/76/429), with related action to be taken by the General Assembly submitted in paragraph 104 (a) to (g) of the report. The observations and recommendations of the Committee on the relevant proposals of the Secretary-General are set out in paragraphs 19 to 50 below.

15. The Secretary-General indicates that he has again proposed measures to address the liquidity situation, taking note of some of the concerns of Member States on the previous proposals (ibid., summary). Upon enquiry, the Advisory Committee was informed that one of the primary concerns, discerned during the intergovernmental review in the context of A/73/809, was the reluctance, among the Member States, to favourably consider any solution that involved an additional assessment, such as for increasing the regular budget Working Capital Fund or to create a new Peacekeeping Working Capital Fund. As a corollary to this, any suspension of return of credits was also seen as an "additional assessment" on Member States. Furthermore, it was apparent that the proposal to adjust Article 19 of the Charter of the United Nations was not acceptable to Member States. In addition, Member States also appeared disinclined to address many of the structural rigidities in the budget processes on the basis mainly of the fact that it devolved more discretionary authority to the Secretary-General on the utilization of resources. The Committee was informed that the current proposals therefore did not call for adjustments to the budget processes; instead, the proposals focused primarily on improving liquidity and reducing the demand for new assessments. For example, the proposal to use the Peacekeeping Reserve Fund is an attempt to leverage idle cash to reduce the peacekeeping liquidity problem. However, for the regular budget, because there are no such cash reserves to tap into and the liquidity problems are far more severe, the Secretary-General is reiterating his request for additional liquidity and some minimal adjustments to the return of unspent funds.

Potential amendments to the Financial Regulations and Rules of the United Nations

16. Upon enquiry regarding amendments required for proposals (a) to (g) contained in paragraph 104 of the report of the Secretary-General (A/76/429), the Advisory Committee was informed that: (a) relating to the regular budget, proposal (a) did not require any amendment to a financial regulation or rule, while proposals (b) and (c) would require the suspension of financial regulation 3.2 (d), proposal (b) was one-time only and proposal (c) would apply whenever the condition stipulated therein was met; and (b) relating to peacekeeping operations, proposals (d) and (g) did not involve any amendments, while proposal (e) would require a suspension of financial regulation 4.5. The Committee was further informed that, for proposal (f), the revenue earned by the Peacekeeping Reserve Fund was not specifically covered by a financial regulation or rule. Therefore, the retention of the interest on the Peacekeeping Reserve Fund, temporarily until the conditions prescribed in proposal (f) were met, could be decided through General Assembly resolutions.

A. Measures relating to the regular budget

Liquidity reserves

17. With respect to the regular budget liquidity reserves, the Secretary-General indicates that the current levels of the Working Capital Fund ($150 million) and the Special Account (approximately $207 million), totalling $357 million, are insufficient to overcome the challenging trends of fluctuating and unpredictable cash inflows, intra-year payment delays and the notable increase in year-end arrears. Each year, any regular budget cash deficit is covered by borrowing first from the Working Capital Fund and then from the Special Account when the Working Capital Fund balance is exhausted. Such borrowing is repaid as soon as cash becomes available for regular budget operations (ibid., paras. 8 and 24).

18. Upon enquiry, the Advisory Committee was informed that, as at 31 October 2021, the level of the Special Account was $208.4 million. The Committee notes that the level of the regular budget liquidity reserves has increased to $358.4 million, compared with $357 million in the report of the Secretary-General.

Proposal (a): to increase the Working Capital Fund by $200 million to $350 million from January 2022

19. The Advisory Committee recalls that the proposal to increase the level of the Working Capital Fund was submitted by the Secretary-General three times in recent years: in the context of the management reform, in October 2017 (A/72/492/Add.1); in the first performance report for the biennium 2018–2019, in November 2018 (A/73/493); and in the previous report on improving the financial situation in March 2019 (A/73/809). The proposals were not approved by the General Assembly.

20. Evolution of the Working Capital Fund since its establishment in 1946 is contained in table 5 of the report of the Secretary-General (A/76/429). The Secretary-General indicates that the widening gap between the assessment and receipt of contributions, as well as steadily increasing arrears, requires a larger liquidity reserve to bridge the gap. He therefore reiterates his earlier proposal and requests that the Working Capital Fund be increased to $350 million as from 2022. Upon enquiry, the Committee was also informed that the proposal was based on the current scope and size of the liquidity problem. The gap between the cash inflows and outflows throughout the budget period is what guides the level of the liquidity reserves. Ideally, the reserves must be large enough to accommodate the largest gap during the year. Trends and calculations based on historical data of budget levels, collection patterns

and payment patterns referenced in the report (ibid.) suggest that anywhere between $250 million and $300 million is a reasonable amount needed to manage the gap in most years. However, as shown in figure 5 of the report of the Secretary-General, projections and simulations of different scenarios of spending indicated gaps even larger than $300 million, owing primarily to the impact of the large amounts of year-end arrears that also erode the liquidity reserves. If arrears go back to reasonable levels, then the proposed increase should be sufficient to provide stability for operations. Given that a large part of the regular budget comprises post costs, the overall expenditure pattern tends to be linear, spread evenly throughout the year, with a spike in the beginning and another at the end. During the last decade, until 2014, the Working Capital Fund had to be used mainly in the final quarter of the year. It had to be used in August in 2015, July in 2016 and May in 2018, showing the progressive worsening of the cash position. With liquidity management, the Secretariat has pushed the borrowing to July in 2019, September in 2020 and November in 2021. Since 2015, the Secretariat has also been using the Special Account each year.

21. The Advisory Committee enquired as to why the proposal did not follow the previous practice for the increase in the level of the Working Capital Fund from 1 January 2007, when the surplus balance of the programme budget was set off against the increase. The Committee was informed that the proposed increase in the Working Capital Fund, by $200 million, would not be practical within a reasonable time frame by transferring only the surpluses to be returned at the end of the budget period, given that the credits to be returned from the 2020 budget period would be only $77.1 million and would not be adequate to finance the proposed increase in the Fund.

22. **The Advisory Committee recalls that it has recognized the recent liquidity challenges of the regular budget experienced by the Organization; it does not, however, note a sustained pattern of such challenges. Noting the improved liquidity situation during 2021 (see paras. 10–11 above), the Committee remains not convinced of the proposal to increase the level of the Working Capital Fund at this stage and recommends against the proposal (see also A/73/891, para. 15).**

23. Furthermore, the Advisory Committee intends to request the Board of Auditors to review the liquidity situation of the regular budget, the levels of the Working Capital Fund and the Special Account, and the management and use of the funds by the Secretariat during recent years (see also paras. 17–18 above).

Proposal (b): to replenish the Special Account by at least $63.2 million by transferring to the account 50 per cent of the credits, to be offset against the 2022 assessments, and the remainder through voluntary contributions

24. The Secretary-General reiterates his earlier proposal to replenish the Special Account by at least $63.2 million, this being the amount that was transferred to finance the regular budget and the capital master plan project instead of through appropriations under General Assembly resolutions 68/245 A and 69/274 A. Background information is provided in paragraphs 7, 26 and 87 to 89 of the report of the Secretary-General (A/76/429).

25. The credits to Member States from the 2020 budget period against their 2022 assessments amount to $77.1 million. The Secretary-General proposes that at least 50 per cent of that amount be transferred to the Special Account. The Advisory Committee, in its report on the 2020 performance report (A/76/7/Add.16, para. 44), recommended that the General Assembly approve the return of the net surplus of $77.1 million in 2020 as a credit against assessments to Member States for 2022. The report of the Committee is before the Assembly.

26. The Advisory Committee recalls that the General Assembly, while it did not approve the proposal of the Secretary-General to replenish the Special Account up to

an amount of $63.2 million (resolution 73/307, para. 4), supported the replenishment of the Special Account to improve the financial situation of the United Nations and requested the Secretary-General to explore replenishment options. Upon enquiry, the Committee was informed that the Secretariat had not reached out to Member States or other donors to seek voluntary contributions to fund the Special Account. According to the Secretariat, its efforts were focused on outreach to Member States to improve the collections of assessed contributions, on the one hand, and improving the processes for the improved management of cash outflows to align with liquidity forecasts, on the other. It was indicated to the Committee that seeking voluntary contributions to fund the Special Account was one of the solutions that the Secretary-General would pursue. **The Advisory Committee is of the view that the Secretary-General should make efforts to seek voluntary contributions to fund the Special Account.**

27. **The Advisory Committee has recognized that the Special Account serves as an important additional liquidity tool to complement the Working Capital Fund in managing regular budget cash flows. The Committee is of the view that a decision concerning whether to replenish the Special Account by transferring the credits is a matter within the purview of the General Assembly (see also A/73/891, para. 17).**

Proposal (c): to approve the return of credits for the regular budget only if outstanding assessments are less than the regular budget liquidity reserves, and to limit the amount to the difference between the liquidity reserves and the outstanding assessments

28. The Secretary-General indicates that, when budgets are not spent in full owing to a lack of liquidity, unspent funds are required to be returned to Member States, even if those funds have not been collected in full. According to the Secretary-General, the crediting of unspent funds to Member States as offsets to their assessments erodes the liquidity for a future budget. With regard to the proposal, it is explained that, for example, if the outstanding assessments are $300 million and the liquidity reserves are $357 million (see paras. 17–18 above), the return of credits must be capped at $57 million (A/76/429, paras. 90–92).

29. Upon enquiry, the Advisory Committee was informed that the proposal was intended to arrest the vicious circle characterizing the liquidity situation for the regular budget, which essentially converts the liquidity problem into a budgetary problem. As long as the level of arrears is below the liquidity reserves, the reserves should be able to cover the liquidity gap in the second half of the year, given that collections in the first half of the year tend to reduce parts of the arrears. With regard to a scenario concerning the status of returns for the past three years had the proposal been implemented, the Committee was informed that, because the year-end outstanding contributions were greater than the liquidity reserves for each of the past three years, credits for unspent funds, including the cancellation of prior period commitments, would not have been returned.

30. The Advisory Committee was informed, also upon enquiry, that suspending the credits only to those Member States that had not paid in full might result in approximately 30 per cent of the return of credits being suspended, on the basis of more recent experience of outstanding contributions. The resulting 70 per cent outflow would still exacerbate the vicious circle of declining liquidity, unless the liquidity reserves were large enough to avoid spending restrictions that generated such credits. The Committee sought information on financing resolutions for peacekeeping operations, under which there are separate decisions for the returns of credits against the apportionment or returns against outstanding obligations, depending on whether Member States had fulfilled their financial obligations. The

Committee was informed that the application of the same approach for the returns of credits of the regular budget would require the suspension of the relevant financial regulations and rules (see para. 16 above).

31. The Advisory Committee recalls that the General Assembly did not approve the previous proposal of the Secretary-General to temporarily suspend the surrender of appropriations for the regular budget (see resolution 73/307, para. 4). **Taking into account the above, the Advisory Committee recommends against the approval of the proposal to return credits for the regular budget only if outstanding assessments are less than the regular budget liquidity reserves, and to limit the amount to the difference between the liquidity reserves and the outstanding assessments.**

B. Measures relating to peacekeeping operations

32. In its resolution 73/307, the General Assembly approved two proposals of the Secretary-General for peacekeeping operations: (a) the issuance of assessment letters for peacekeeping operations for the full budget period, including the period for which the mandate has not yet been approved by the Security Council; and (b) the management of the cash balances of all active peacekeeping operations as a pool on a three-year trial basis. The Secretary-General indicates that the two measures have facilitated efforts to reimburse troop- and police-contributing countries in a timelier manner but have not solved the problem fully (A/76/429, para. 3).

33. Information on the impact of the two measures approved in 2019 is provided in the report of the Secretary-General (ibid., paras. 67–79). Following the issuance of assessment letters for peacekeeping operations for the full budget period, 76 Member States paid their contributions in advance, totalling $482 million, or 19.5 per cent of the advance assessments, and 7 per cent of the total peacekeeping assessments for the 2020/21 budget period (in the amount of $6.66 billion, including $2.47 billion for the period for which the mandate extension had not yet been approved by the Security Council). The Secretary-General expressed his sincere appreciation to the Member States that had paid contributions in advance and urged others to do so (see paras. 10 and 12 above).

Proposal (d): to note that the continued management of the cash resources of the active peacekeeping missions as a pool is beneficial for the timely settlement of payments to troop- and police-contributing countries

34. In paragraph 5 of its resolution 73/307, the General Assembly approved, on a trial basis for three budget periods, the management of the cash balances of all active peacekeeping operations as a pool while maintaining the balances in separate funds for each mission, and requested the Secretary-General to ensure that proper oversight and controls were in place and that mandate implementation by the lending mission was not negatively impacted and to report annually on progress in that regard under the agenda item entitled "Improving the financial situation of the United Nations".

35. The Secretary-General indicates that, following the adoption of resolution 73/307, the Organization began to manage the cash balances of active peacekeeping operations as a pool, exercising prudent cash management to ensure that mandate implementation by the lending mission was not negatively affected. The Organization has provided annual updates through reports of the Secretary-General on the overview of the financing of the peacekeeping operations (see A/74/736, annex IX, and A/75/786, annex IX). The Department of Operational Support has been providing quarterly briefings to the Fifth Committee, as requested by the Assembly (A/76/429, para. 74).

36. Upon enquiry on whether proposal (d) of the Secretary-General should be understood as a request for approval by the General Assembly, the Advisory Committee was informed that, as explained in the report of the Secretary-General, the cash pooling had been beneficial in facilitating the timely settlement of reimbursements due to troop- and police-contributing countries. The Secretary-General is therefore assuming that the Assembly will have no objection to the continuation of this arrangement, which does not require any amendments to the Financial Regulations and Rules of the United Nations. The Committee was also informed that the Assembly's continuing support for that arrangement would be evident from the lack of any operative paragraphs in the financing resolutions of peacekeeping missions that prohibit the cross-borrowing (of cash) across missions. **The Advisory Committee stresses that, given that the General Assembly approved the management of the cash balances of all active peacekeeping operations as a pool on a trial basis for three budget periods, the Secretary-General should have requested approval of the Assembly for the management of the cash resources of the active peacekeeping missions as a pool.**

37. With respect to bank interest that was not received and thus not credited to the Member States during each of the past three financial periods under the cash pool arrangement, the Advisory Committee was informed, upon enquiry, that actual borrowing was limited to loans from the United Nations Multidimensional Integrated Stabilization Mission in Mali (which had the largest surplus) to the United Nations Mission for the Referendum in Western Sahara, the United Nations Interim Administration in Kosovo and the United Nations Support Office in Somalia. On the basis of the rates of return earned by the United Nations for each period, the notional losses of investment revenue for the United Nations Multidimensional Integrated Stabilization Mission in Mali from such loans amounted to a total of $1 million for the three periods (see table 1). **The Advisory Committee recommends that the General Assembly request the Secretary-General to present options for potentially charging interest on internal borrowing and provide modalities for calculating, charging, collecting and accounting for interest.**

Table 1
Notional loss of investment revenue for the United Nations Multidimensional Integrated Stabilization Mission in Mali
(United States dollars)

Lending mission	*Borrowing mission*	*Rate of return (percentage)*	*2019/20*	*2020/21*	*2021/22 (July–Oct.)*	*Total*
MINUSMA	MINURSO	0.58		64 452	24 582	89 034
		1.92	251 862			251 862
	UNMIK	0.58		152 071	63 522	215 593
		1.92	355 068			355 068
	UNSOS	0.58		15 493	94 627	110 121
Total			**606 930**	**232 016**	**182 732**	**1 021 678**

Note: Rate of return of 2020/21 also applied to 2021/22, pending the determination of the rate for this period.
Abbreviations: MINURSO, United Nations Mission for the Referendum in Western Sahara; MINUSMA, United Nations Multidimensional Integrated Stabilization Mission in Mali; UNMIK, United Nations Interim Administration in Kosovo: UNSOS, United Nations Support Office in Somalia.

38. **Taking into account the above and the improvement in settling payments to troop- and police-contributing countries (see para. 49 below), the Advisory Committee recommends that the General Assembly approve the continuation of**

the management of the cash balances of all active peacekeeping operations as a pool while maintaining the balances in separate funds for each mission, and request the Secretary-General to provide updates in his report on the overview of the financing of the peacekeeping operations and in the performance reports for the peacekeeping operations involved. Furthermore, the Committee recommends that the Assembly request the Secretary-General to continue to ensure that proper oversight and controls are in place and that mandate implementation by the lending mission is not negatively affected.

Proposal (e): to relax the restrictions on the use of the Peacekeeping Reserve Fund in order to allow its use as a liquidity mechanism for the regular operations of active peacekeeping operations

39. The Peacekeeping Reserve Fund, which was established by the General Assembly in its resolution 47/217 at the level of $150 million, is available only to support new missions and the expansion of existing ones. The Secretary-General reports that the Peacekeeping Reserve Fund has not been used since 2014 and has been used only for a maximum of $40 million, as far back as 2007/08. The balance in excess of the authorized level of $150 million is used to meet the financing of the support account for peacekeeping operations (an amount of $3.7 million was approved by the Assembly for the 2021/22 period) (A/76/429, paras. 57, 96 and 98).

40. The Secretary-General indicates that the General Assembly did not approve his previous proposal to establish a Peacekeeping Working Capital Fund of $250 million for active peacekeeping operations. His current proposal would eliminate the need for any new assessments of Member States to finance a working capital fund. According to the Secretary-General, the use of the Peacekeeping Reserve Fund for such liquidity would not have an impact on the funding for the start-up phase of new peacekeeping operations or the expansion of existing ones, or for unforeseen and extraordinary expenditure relating to peacekeeping, because the pooling of the cash of active missions will provide an additional safeguard for facilitating the start-up or expansion of any mission (ibid., para. 99).

41. Upon enquiry, the Advisory Committee was informed that, if the General Assembly approved the proposal and retained the cash-pooling mechanism, it would provide significant liquidity for peacekeeping operations. Furthermore, given the experience since 2007/08 (see para. 39 above), it is anticipated that almost all the cash in the Peacekeeping Reserve Fund would be available as additional liquidity for operations and that the pooling of cash of active missions would provide sufficient liquidity for the start-up or expansion of any mission (see para. 42 below). The Committee was also informed, upon enquiry, that the Peacekeeping Reserve Fund would be used only if the liquidity provided by cash-pooling was not adequate to settle the payments due to troop- and police-contributing countries. This is most likely to happen only in the last quarter of the fiscal period (April to June), when cash balances in peacekeeping operations tend to be at their lowest levels. The actual borrowing from the Peacekeeping Reserve Fund may be needed only in June or potentially July until collections from assessments for the new fiscal year start coming in as from August.

42. **Taking into account the infrequent and limited use of the Peacekeeping Reserve Fund since the 2007/08 financial period, the Advisory Committee sees merit in the proposed use of the Peacekeeping Reserve Fund as a liquidity mechanism for active peacekeeping operations, in addition to its intended use to support new missions and the expansion of existing missions. However, the Committee is of the view that the approved purposes of the Peacekeeping Reserve Fund should be safeguarded by keeping adequate resources for new missions and the expansion of existing ones. Furthermore, the Committee is of**

the view that, subject to the approval of the General Assembly on the proposal of the Secretary-General, the Peacekeeping Reserve Fund should be used as the first choice of borrowing before resorting to the cash pool arrangement among active peacekeeping operations. The Committee therefore recommends that the Assembly approve the use of the Peacekeeping Reserve Fund as a liquidity mechanism up to the level of $110 million for active peacekeeping operations and keep an amount of $40 million in reserve to support new missions and the expansion of existing missions as originally intended for the Fund.

43. **In addition, the Advisory Committee notes that the proposal to relax the restrictions on the use of the Peacekeeping Reserve Fund would lead to interest loss for the Fund (see para. 39 above) and recommends that the General Assembly request the Secretary-General to present, for its consideration, options for potentially charging interest on internal borrowing and modalities for calculating, charging, collecting and accounting for interest, if approved.**

Proposal (f): to authorize the retention of the interest earned in the Peacekeeping Reserve Fund up to the amount necessary to bring the cash balance of the Fund, including interest, to $150 million

44. It is indicated that, as at 30 June 2021, the level of the Peacekeeping Reserve Fund was $154.2 million, comprising the reserve of $150 million and an accumulated surplus of $4.2 million. Because the United Nations Mission in the Central African Republic has not yet repaid an amount of $12.8 million since February 2000 owing to insufficient cash resources, the actual cash available in the Fund is only $137.2 million, in addition to the above-mentioned surplus of $4.2 million (A/76/429, para. 97).

45. Given that the Peacekeeping Reserve Fund has only $137.2 million of liquidity, compared with its fund balance of $150 million, the Secretary-General proposes that the General Assembly authorize the retention of interest earned in that Fund until the available cash reaches the amount of $150 million (ibid., para. 100). Upon enquiry, the Advisory Committee was informed that the proposal would not release the United Nations Mission in the Central African Republic from its obligation for the unpaid amount of $12.8 million. The proposed retention of the interest earned in the Peacekeeping Reserve Fund is intended to bring the cash balance of the Fund up to $150 million. In this case, the loan owed by the Mission would remain outstanding, while the interest earned on the Peacekeeping Reserve Fund would provide additional cash and would be kept separately. If the loan is repaid, then the interest can be returned. With respect to the interest earned in the Peacekeeping Reserve Fund, the Committee was informed that $12.8 million had been earned for the past seven years since 2014/15 and that, while investment revenue had fluctuated, it was expected that it would take approximately seven years to bring the available cash of the Fund to $150 million.

46. The Advisory Committee notes that the balance in excess of the authorized level of $150 million the Peacekeeping Reserve Fund is used to meet the financing of the support account for peacekeeping operations (see para. 39 above) and that the United Nations Mission in the Central African Republic has not yet repaid an amount of $12.8 million since February 2000 (see para. 44 above). **Taking into consideration the proposed continuation of the cash pool arrangement and the proposal to use the Peacekeeping Reserve Fund as a liquidity mechanism for active peacekeeping operations, the Advisory Committee is not convinced of the rationale for the proposal to retain the interest earned in the Peacekeeping Reserve Fund and recommends against the proposal.**

Proposal (g): to approve the return of credits for any active peacekeeping operation for unspent funds and cancellations of prior-period commitments only if all payments to troop- and police-contributing countries due and payable in that operation have been settled at the time that the Assembly takes a decision on the return of credits

47. The Secretary-General indicates that, given that timely payments for troop- and police-contributing countries have been hindered for many years by the lack of liquidity and have not been fully resolved, even with the two measures approved by the General Assembly in its resolution 73/307, he proposes that the return of credits for unspent funds or cancellations of prior-period commitments be suspended for any active peacekeeping mission in which the troop- and police-contributing country payments that are due and payable have not been settled in full at the time that the Assembly takes a decision to return such credits. That would allow the United Nations to settle its obligations to troop- and police-contributing countries from funds from that financial period in the same manner in which the Organization would first settle vendor obligations before returning the credits (A/76/429, para. 101).

48. Upon enquiry, the Advisory Committee was informed that the return of credits to Member States was linked to the budget process, while the settlement of payments to troop- and police-contributing countries was linked additionally to liquidity. If the actual expenditure is lower than the appropriation for a budget period, then the difference is returned to Member States in the form of credits. This process does not take into account the status of outstanding payments to troop- and police-contributing countries due to the lack of liquidity for such payments. Therefore, through the financing resolution for every peacekeeping operation, the General Assembly effectively prioritizes the return of credits over the settlement of legal obligations to troop- and police-contributing countries. On the other hand, if the Secretariat were to have settled all the obligations to troop- and police-contributing countries, without trying to preserve liquidity for operations in the absence of a working capital fund for peacekeeping, then peacekeeping operations would have been repeatedly disrupted over the years. The Committee was further informed that the Secretary-General was proposing to prioritize payments of legal obligations to troop- and police-contributing countries, ahead of returning unspent balances to Member States as credit.

49. The Advisory Committee notes from the report of the Secretary-General (A/76/429) that the ability to borrow among missions through the cash pool has enabled payments to troop- and police-contributing countries. As a result, the timing of the settlement of arrears to troop- and police-contributing countries has improved, as shown in figure XV of his report (ibid.). Approximately 36 per cent of $1.9 billion settled during 2019/20 and 23 per cent of $2.6 billion settled during 2020/21 were enabled by the cash-pooling arrangement, which has enabled borrowing for the timelier settlement of dues to troop- and police-contributing countries (ibid., para. 76). Upon enquiry, the Committee was informed that, on a monthly average, the amounts due to troop- and police-contributing countries fell from $248.5 million for 2019 to $80.5 million for 2021 (January to October). The Committee was also informed that the higher liabilities of the average monthly amount of $308.7 million for 2020 was a result of the impact of the COVID-19 pandemic and the related uncertainty with respect to the timing and the amount of payments of assessed contributions. It was further indicated to the Committee that the average arrears for 2021 were related mainly to African Union-United Nations Hybrid Operation in Darfur, which was precluded from participation in the cash-pooling mechanism, because the end of its mandate on 31 December 2020 and the irregular collection of existing outstanding assessments suggested that the Operation might not be able to repay a loan to the lending mission. **The Advisory Committee notes that the average monthly**

payments due to troop- and police-contributing countries have been reduced from $248.5 million for 2019 to $80.5 million for 2021 (January to October).

50. **The Advisory Committee has underscored the need for further efforts to ensure that the Organization's financial obligations to troop- and police-contributing countries are settled in a timely manner (A/73/891, para. 9). Taking into account the positive impact and the proposed continuation of the cash pool arrangement for the active peacekeeping operations and the proposal to use the Peacekeeping Reserve Fund as a liquidity mechanism for those operations, the Advisory Committee does not see the need for proposal (g) at this stage and therefore recommends against it.**

IV. Other matters

Unliquidated obligations and special commitments

51. The Secretary-General indicates that, although 2020 ended with yet another new record of $808 million in arrears, the year-end cash deficit was only $160 million, compared with $332 million in 2019, because much non-post expenditure was delayed to the very last days of the year to align spending with inflows. That late commitment of funds postponed the resulting cash demands to the next year. Those year-end commitments became necessary to mitigate budget underperformance and reduce the erosion of liquidity for a future period when credits are returned for unused funds. Large receipts in the last days of the year, coupled with inadequate liquidity reserves, make it very difficult to implement the General Assembly's directions to contain the level of unliquidated commitments. If the underlying problems remain unresolved, then this may become a new normal (A/76/429, para. 34).

52. Upon request, the Advisory Committee received a breakdown of the unliquidated obligations in a total amount of $222.3 million at the end of 2020 by budget section and by category of expenditure (see annex II). The Committee notes that funds were obligated under, among others, posts, consultants, other staff costs, supplies and materials, furniture and equipment, improvement of premises, and grants and contributions. **The Advisory Committee recommends that the General Assembly request the Secretary-General to provide detailed information and justification for unliquidated obligations, by category of expenditure and budget section, in future programme budget submissions and performance reports.**

53. The Advisory Committee was informed, upon enquiry, that the budgetary surplus that is returned to Member States happened in two stages: (a) first, when there are unspent funds within the budget period; and (b) second, when a part of the committed funds is cancelled because those funds are no longer needed. Fund commitments have always been a part of the normal business of the Organization. However, the normal expectation is that funds are committed during the budget period for activities that are likely to be completed within the budget period or within a reasonable period after the budget period. According to the Secretariat, the absence of these special fund commitments would have deepened the liquidity crisis in 2021 (from the return of funds from 2019) and 2022 (from the return of funds from 2020).

54. The Advisory Committee recalls that the Board of Auditors noted that 23 fund commitments in an amount of $116.7 million had been established with no supporting documents in December 2020 and with no certifying officers (A/76/5 (Vol. I), para. 59). The Committee has discussed the deficiencies identified in the creation of fund commitments, in particular the special commitments, in its related report on the report of the Board (A/76/554, paras. 17–20) and its report on the 2020 performance of the programme budget (A/76/7/Add.16, paras. 16–19). Both reports of the

Committee are before the General Assembly at its main part of the seventy-sixth session. The Committee has concurred with the recommendations of the Board that the Administration issue guidance on the creation and usage of fund commitments, and centrally monitor and regularly review the fund commitments to ensure that they are administered pursuant to the Financial Regulations and Rules of the United Nations.

55. **The Advisory Committee is of the view that the special commitments centrally approved for 2019 and 2020, with deficiencies identified by the Board of Auditors, should be exceptions, rather than become a "new normal". The Committee sees the need for improving the internal planning process at the budget implementation stage both at the central and departmental levels of the Secretariat by setting up contingency plans with activities prioritized at different levels in the context of a liquidity situation, in particular late collections at year end. The Committee therefore recommends that the General Assembly request the Secretary-General to improve the budget implementation planning process with a view to proposing and approving commitments on a detailed needs assessment against clear criteria, and in accordance with the relevant financial regulations and rules.**

Mandate implementation and tracking of delivery

56. The Secretary-General indicates that efforts to focus more on results and to improve mandate delivery have been undermined by the unpredictability and tardiness of the Organization's cash inflows from Member State assessments (A/76/429, para. 102; see also para. 13 above). Upon enquiry on the tracking of mandate implementation, the Advisory Committee was informed that the Umoja strategic management application suite comprises strategy definition, performance monitoring and dashboards as an end-to-end solution for strategic planning and management in support of programme planning, monitoring and evaluation requirements for results-based budgeting, both for the regular budget and for peacekeeping operations. The tracking is not by mandate but by the elements in the results-based budgeting frameworks, as approved by the General Assembly. It was indicated to the Committee that managers could devise more granular targets for monitoring if they chose to, but the initial change management is focused on recording progress more frequently and monitoring implementation more regularly during the budget period.

57. The Advisory Committee also enquired regarding a full list of mandates that had not been implemented by the Department of Management Strategy, Policy and Compliance as a result of the liquidity situation since 2019. The Committee was informed only that liquidity constraints had an impact on the planned deliverables and activities of the Department, with some examples given. According to the Secretariat, a number of cross-cutting deliverables in the area of communications were affected, such as the postponement of outreach programmes, special events and information materials, as well as the maintenance and update of digital platforms and multimedia content. Furthermore, given that hiring for regular budget positions was frozen in 2020, there was little to no opportunity to improve geographical representation during the year. Moreover, under subprogramme 2, Programme planning, finance and budget, the examples included: (a) component 1, Finance, which saw an increase in the level of outstanding recommendations of the Board of Auditors and the rescheduling of the report of the Secretary-General on the management of after-service health insurance (submission delayed from the seventy-fifth to the seventy-sixth session of the General Assembly (see A/76/579, para. 3)); and (b) component 3, Programme planning and budgeting, where, owing to a high vacancy rate due to the

recruitment freeze, the component was unable to provide all written responses requested by the relevant committees.

58. With regard to the budget absorption capacity under the liquidity situation, the Advisory Committee was informed, upon enquiry, that, because the liquidity problem was not a budget problem, any question of absorption had to be viewed in the context of how each entity drew upon cash. The crux of the liquidity challenge for regular budget operations is that there is not enough cash to execute the budget in full. While the General Assembly approves the budget for each budget section, the liquidity for executing the budget is shared across all the budget sections. Given that the Assembly has not established any criteria for prioritizing the approved programmes of work, any restrictive measures for conserving cash are, in general, applied uniformly. For example, at the beginning of 2021, all entities were asked to plan for only 90 per cent of their overall budget. The actual implementation rates may, however, vary owing to various factors. When an entity implements less than its planned budget, the liquidity that was notionally reserved for it could be released to all the others. It is probably true that an entity with a larger budget and larger non-post resources tends to have greater flexibility and options for managing its budget implementation. Although the Secretariat continuously reviews the liquidity situation, its experience in recent years shows that the liquidity situation is too fluid and fluctuating to adjust budget implementation on a monthly basis.

59. **The Advisory Committee recommends that the General Assembly request the Secretary-General to provide detailed information on the impact of liquidity on mandate delivery and underperformance, including absorption capacity, and on efforts made to deliver mandates more effectively and efficiently in future budget submissions.**

Efficiency measures and lessons learned from the COVID-19 pandemic

60. The Advisory Committee recalls that, while efficiency gains from the implementation of targeted measures have been reported in the proposed budgets for peacekeeping operations, savings from efficiency measures have not been identified under the regular budget implementation, notwithstanding repeated requests by the General Assembly. In its first report on the proposed programme budget for 2022, the Committee reiterated its recommendation that the Assembly again request the Secretary-General to further track and identify savings resulting from efficiency measures (A/76/7, chap. II, paras. XIII.10 and XIII.11).

61. During its consideration of the proposed programme budget for 2022, the Advisory Committee expressed the view that the COVID-19 pandemic would likely continue to have an impact on certain activities and that further efficiencies could be achieved. The Committee therefore expects that the budget presentation will reflect efficiency gains, including from any practices introduced during the pandemic that are sustainable, and trusts that consolidated information will be presented in the next budget submission (ibid., chap. I, paras. 11 and 28). For example, in applying lessons learned from the pandemic, travel for workshops, conferences or meetings would be kept to a minimum and more use would be made of virtual meetings and online training tools (ibid., para. 67). Another area for potential savings relates to the real estate portfolio of the Organization, for which the recommendation of the Committee requesting that the Secretary-General provide a strategic assessment and cost-benefit analysis of the real estate portfolio was endorsed by the General Assembly in section XIII of its resolution 75/253 (see also A/75/7/Add.13, para. 26). Information on the additional expenditure relating to the pandemic incurred during 2020 is contained in the report of the Committee on the 2020 performance of the programme budget (A/76/7/Add.16, paras. 4–5).

62. With respect to system-wide initiatives, the Advisory Committee recommended that the General Assembly request the Secretary-General to provide, in future proposed programme budgets, detailed information on system-wide initiatives pertaining to administrative and budgetary matters that are intended to consolidate efficiency gains and improve coordination, including cost-recovery and cost-sharing arrangements. (A/76/7, chap. I, para. 85). The Committee also recommended that the Assembly request the Secretary-General, in his role as Chair of the United Nations System Chief Executives Board for Coordination, to present a separate report on system-wide initiatives, as well as operational and cost-sharing arrangements, and any potential opportunities for cooperation, including on administrative and budgetary matters, in particular procurement and information and communications technology, at the earliest occasion (A/76/554, para. 70).

63. **The Advisory Committee recommends that consolidated information on lessons learned and best practices from the COVID-19 pandemic and austerity measures implemented by the Secretary-General during the liquidity situation, and efficiency gains be included in the foreword and introduction and each budget section of the programme budget and in the overview report and peacekeeping mission reports.**

64. On a related matter, the Advisory Committee recalls that the Board of Auditors noted the accumulation of idle assets at the Secretariat: a total of 1,306 items with an acquisition value of $42.6 million had a status of “equipment idle”, representing 12 per cent in quantity and 10 per cent in value of the total equipment. Given the significant amounts, the risks of waste, obsolescence and loss, and management and storage costs, the Board considered that the issue should be addressed by the Administration in a systematic way. The Committee concurred with the recommendation of the Board and stressed the importance of concerted and proactive measures to avoid further waste, obsolescence and additional costs (see ibid., para. 37).

Previous proposals of the Secretary-General to address the liquidity situation

65. The Advisory Committee was also informed, upon enquiry, that, in the past, the Secretary-General had proposed various options for the consideration of the General Assembly to address the overall liquidity challenges. For example, in 1981, in his report on the financial situation of the United Nations (A/C.5/36/28 and Corr.1 and 2), the Secretary-General presented seven options for the consideration of the Assembly: (a) prompt payment of assessed contributions; (b) an increase in the Working Capital Fund; (c) borrowings in the open market; (d) borrowing from Member States; (e) suspension of the provisions of financial regulations 5.2 (d), 4.3 and 4.4; (f) offset of Member State credits against unpaid assessments; and (g) issuance of long-term bonds. The Secretary-General stated at the time that none of the seven proposals was new; rather, all had been considered at one time or another. Not one of them, by itself, offered a complete solution; one or several should be acted upon now if the Organization was to be able to meet its commitments over the coming years.

66. With regard to interest earned on extrabudgetary resources, the Advisory Committee was informed, upon enquiry, that, in the report of the Secretary-General on proposed revisions to the Financial Regulations of the United Nations for the adoption of International Public Sector Accounting Standards (A/67/345), the following financial regulation 4.19 was proposed: “Unless otherwise authorized by the appropriate authority under regulations 4.13 and 4.14, no interest shall be payable on trust funds or special accounts”. The Committee was informed that the proposed regulation represented a significantly more efficient approach than that in place at that time, which entails the calculation, recording and, in some instances, payment of contribution-specific interest earnings. The regulation was being proposed because it was based on those applicable to other United Nations system organizations,

including the United Nations Children's Fund, the United Nations Development Programme and the United Nations Population Fund, and would have harmonized United Nations practice with those of the other United Nations organizations. It would also have facilitated inter-agency cooperation. Upon enquiry, the Committee was also provided with information on the regulations and rules of some United Nations organizations regarding the retention of interest (see table 2). The General Assembly, in its resolution 67/246, adopted the revised Financial Regulations of the United Nations, as set forth in the report of the Secretary-General, with the exception of regulation 4.19.

Table 2
Regulations and rules of some United Nations organizations on retention of interest

Organization	*Regulation/rule*
United Nations Children's Fund	Regulation 11.4: Interest derived from placement of funds shall be credited to the UNICEF Account and shall be recorded in the Regular Resources sub-account. Unless otherwise authorized by the Executive Director, no interest shall be payable on funds administered by UNICEF.
United Nations Population Fund	Regulation 4.12: Interest or investment revenue with respect to other resources including Trust Funds shall be retained and form part of regular resources unless otherwise authorized by the Executive Director.
United Nations Development Programme	Rule 126.07: Revenue from investments shall be recorded as miscellaneous revenue in the relevant UNDP account. Unless authorized by the Administrator, no interest shall be payable on funds administered by UNDP.

67. **The Advisory Committee recommends that the General Assembly request the Secretary-General to review the previous options, in particular those relating to incentives for prompt payments of assessments and the offset of Member State credits against arrears, as well as the potential retention and use of interest on extrabudgetary resources for the regular budget, for its consideration in the next report on the financial situation of the United Nations, as appropriate.**

68. On a related matter concerning closed peacekeeping operations, the Advisory Committee was informed, upon enquiry, that as at 30 June 2021, total cash assets in all 29 closed peacekeeping missions amounted to $214.7 million, comprising cash assets of $213.3 million in the 24 closed peacekeeping missions with net cash surplus balances and cash assets of $1.4 million in the 5 closed missions with net cash deficit balances.

Potential use of cash surpluses accumulated in the International Residual Mechanism for Criminal Tribunals to address financial challenges experienced by the regular and peacekeeping budgets

69. The Advisory Committee was informed, upon enquiry, that the return of any funds from the International Residual Mechanism for Criminal Tribunals would be based on the scale applicable to tribunals (hybrid of regular budget and peacekeeping scales). The General Assembly could also direct that such funds be applied against the outstanding contributions for the regular budget or peacekeeping; for those Member States that are fully paid up, their share would have to be either returned or applied against their next assessments, depending on the decision of the Assembly (see also A/76/577, para. 4 and annexes). How much cash could be borrowed or how the amount of funds that could be returned would depend on the size of the cash surplus, such surplus being defined on the basis of what the International Residual

Mechanism for Criminal Tribunals needs to discharge its legal obligations and the amount of cash that it has beyond that need. **The Advisory Committee is of the view that the General Assembly may wish to consider requesting the Secretary-General to undertake an assessment on the possibility to use the cash surpluses in the International Residual Mechanism for Criminal Tribunals against the outstanding contributions for the regular or peacekeeping budgets.**

Surplus from cost-recovery services

70. The Advisory Committee recalls that the Board of Auditors noted a steady increase in the accumulated surplus (or net assets) of the cost-recovery fund (i.e., fund 10RCR), with an amount of $407.95 million as at 31 December 2020, representing an increase of 108 per cent compared with the end of 2016. The regular budget was the biggest funding source for fund 10RCR, accounting for 30 per cent of its total revenue in 2020. United Nations Headquarters had the largest accumulated surplus, namely, $219.88 million, or 54 per cent of the total accumulated surplus. Most of the accumulated surplus was included in the United Nations cash pool. The Board recommended that the Administration enhance the performance of fund utilization under the cost-recovery fund (A/76/173, para. 59, and A/76/5 (Vol. I), paras. 26–31). The Committee was informed in its review of the report of the Board that a comprehensive policy on cost recovery was expected by the end of 2021. **The Advisory Committee has expressed the view that the steady increase in the accumulated surplus generated through the cost-recovery services merits further analysis. The Committee looks forward to reviewing the comprehensive policy on cost recovery and receiving additional clarity, including on the use of the resources recovered, in the context of the next programme budget submission (see also A/76/554, para. 15).**

71. The Advisory Committee was informed, upon enquiry, that the Controller's instructions for cost recovery should specify the manner in which costs recovered are to be accounted for, to comply with the accounting treatment required under the International Public Sector Accounting Standards and to ensure that income to be returned to Member States is clearly differentiated from reimbursement for costs to be incurred in providing services that are not included in any assessed budgets. Billings for internal customers are done through cost allocations, which consume the budgets of service recipients when cost allocation cycles are executed. Billings for external customers are managed through service orders, a distinct functionality in Umoja.

V. Conclusion

72. The proposals of the Secretary-General are set out in his report (A/76/429, para. 104 (a)–(g)). The observations and recommendations of the Advisory Committee on actions required of the General Assembly are contained in sections II to IV of the present report.

Annex I

Regular budget financial liquidity ratios

	2021											
Ratios	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*
Assets-to-liabilities ratio (total assets to total liabilities)	5.8	5.5	5.3	5.1	5.4	4.9	4.5	4.0	4.0	3.5	–	–
Current ratio (current assets to current liabilities)	6.4	6.0	5.7	5.1	5.7	5.2	4.8	4.2	4.4	3.7	–	–
Quick ratio (cash + short-term investments + accounts receivable to current liabilities)	6.3	5.8	5.5	5.0	5.5	4.9	4.6	4.0	4.1	3.4	–	–
Cash ratio (cash + short-term investments to current liabilities)	1.1	1.5	1.5	2.8	2.8	2.5	2.1	1.6	1.3	1.2	–	–
	2020											
Ratios	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*
Assets-to-liabilities ratio (total assets to total liabilities)	8.0	7.7	7.5	7.1	6.6	5.9	5.6	4.6	3.5	3.0	2.5	1.3
Current ratio (current assets to current liabilities)	8.9	8.6	8.6	8.0	7.4	6.6	6.2	5.0	3.6	3.0	2.5	1.1
Quick ratio (cash + short-term investments + accounts receivable to current liabilities)	8.7	8.2	8.3	7.7	7.2	6.3	6.0	4.8	3.5	2.8	2.3	1.0
Cash ratio (cash + short-term investments to current liabilities)	1.1	2.0	2.6	2.8	2.8	2.4	1.8	1.1	0.5	0.3	0.3	0.3
	2019											
Ratios	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*
Assets-to-liabilities ratio (total assets to total liabilities)	8.6	8.8	8.2	7.9	7.1	6.4	5.9	5.1	3.9	3.1	2.2	1.4
Current ratio (current assets to current liabilities)	10.4	10.6	9.7	9.3	8.4	7.5	6.8	5.7	4.1	3.0	2.0	1.1
Quick ratio (cash + short-term investments + accounts receivable to current liabilities)	10.1	10.2	9.3	9.0	8.0	7.1	6.5	5.4	3.9	2.8	1.8	0.9
Cash ratio (cash + short-term investments to current liabilities)	0.9	2.5	2.6	2.7	2.3	1.6	1.0	0.7	0.2	0.1	0.7	0.1

Note: The above ratios show the overall liquidity/financial position of regular budget and related funds (Working Capital Fund, Special Account and for Income Section 3 activities). The above ratios do not reflect overall volume I ratios, given that the regular budget is viewed separately from other activities of volume I reporting entities, such as the trust funds.

Active peacekeeping operations financial liquidity ratios

	2020						2021					
Ratios	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*
Assets-to-liabilities ratio (total assets to total liabilities)	5.37	3.77	5.26	5.18	4.88	7.41	7.49	6.54	8.05	7.33	4.65	1.96
Current ratio (current assets to current liabilities)	4.35	2.90	3.80	3.72	3.59	5.49	5.55	4.82	5.80	5.18	3.29	1.32
Quick ratio (cash + short-term investments + accounts receivable to current liabilities)	4.03	2.68	3.43	3.33	3.24	4.89	4.96	4.28	5.07	4.54	2.84	1.16
Cash ratio (cash + short-term investments to current liabilities)	0.60	0.84	1.71	1.65	1.42	1.72	1.70	1.37	1.81	1.68	0.91	0.30
	2019						*2020*					
Ratios	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*
Assets-to-liabilities ratio (total assets to total liabilities)	8.51	6.94	6.08	6.77	5.66	6.78	6.66	6.68	4.51	4.82	5.79	1.85
Current ratio (current assets to current liabilities)	6.90	5.48	4.74	5.19	4.41	5.08	4.97	4.92	3.32	3.38	3.98	1.21
Quick ratio (cash + short-term investments + accounts receivable to current liabilities)	6.41	5.07	4.34	4.69	4.03	4.56	4.44	4.35	2.93	2.92	3.41	1.06
Cash ratio (cash + short-term investments to current liabilities)	0.61	1.53	1.42	1.20	1.26	1.42	1.30	1.24	0.79	1.23	1.29	0.34
	2018						*2019*					
Ratios	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Dec.*	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*
Assets-to-liabilities ratio (total assets to total liabilities)	7.25	7.73	7.93	7.81	4.77	4.56	8.19	7.17	7.54	7.96	5.97	1.90
Current ratio (current assets to current liabilities)	5.52	5.45	5.44	5.00	3.04	2.75	6.06	5.13	5.07	5.27	3.88	1.19
Quick ratio (cash + short-term investments + accounts receivable to current liabilities)	4.99	4.83	4.68	4.19	2.52	2.15	5.37	4.49	4.34	4.52	3.28	1.04
Cash ratio (cash + short-term investments to current liabilities)	0.63	2.05	1.62	2.22	1.37	1.00	1.10	1.33	1.82	1.99	1.38	0.34

Note: The ratios above represent an aggregate view of active peacekeeping missions, even though each mission has a separate fund and operates independently and must therefore be interpreted carefully. Without cash pooling among active peacekeeping missions, some missions would not be able to meet their ongoing needs to pay their bills. Equally, the financial health of individual missions may be better or worse than the aggregate picture shown in the ratios. In addition, the month-end ratios may not reflect intra-month problems, especially for the cash ratio. The ratios for 2018/19 and 2019/20 include the United Nations Mission for Justice Support in Haiti, which was active during those two fiscal years.

Annex II

Unliquidated obligations for the year 2020 as at 31 December 2020, by category of expenditure

(Millions of United Sates dollars)

Post	3.5
Other staff costs	16.9
Non-staff compensation	0.1
Hospitality	0.0
Consultants and experts	14.6
Travel of representatives	0.1
Travel of staff	0.8
Contractual services	42.1
General operating expenses	69.7
Supplies and materials	7.8
Furniture and equipment	38.3
Improvement of premises	5.2
Grants and contributions	13.3
Other	10.0
Total	**222.3**

Unliquidated obligations for the year 2020 as at 31 December 2020, by budget section

(Millions of United Sates dollars)

1.	Overall policymaking, direction and coordination	0.9
2.	General Assembly and Economic and Social Council affairs and conference management	32.1
3.	Political affairs	84.5
4.	Disarmament	1.4
5.	Peacekeeping operations	3.7
6.	Peaceful uses of outer space	0.2
8.	Legal affairs	5.8
9.	Economic and social affairs	2.6
10.	Least developed countries, landlocked developing countries and small island developing States	0.0
11.	United Nations support for the New Partnership for Africa’s Development	0.1
12.	Trade and development	1.5
13.	International Trade Centre	0.7
14.	Environment	0.1
15.	Human settlements	0.5
16.	International drug control, crime and terrorism prevention and criminal justice	0.5
18.	Economic and social development in Africa	14.5
19.	Economic and social development in Asia and the Pacific	2.4
20.	Economic development in Europe	0.5
21.	Economic and social development in Latin America and the Caribbean	2.6

22.	Economic and social development in Western Asia	3.0
23.	Regular programme of technical cooperation	10.7
24.	Human rights	6.1
27.	Humanitarian assistance	1.9
28.	Global communications	5.1
29A.	Department of Management Strategy, Policy and Compliance	2.3
29B.	Department of Operational Support	8.7
29C.	Office of Information and Communication Technology	9.4
29E.	Administration, Geneva	7.3
29F.	Administration, Vienna	0.9
29G.	Administration, Nairobi	0.8
30.	Internal oversight	0.4
32.	Special expenses	0.0
33.	Construction, alteration, improvement and major maintenance	9.4
34.	Safety and security	1.7
	Total	**222.3**